

ALABAMA DEPARTMENT OF REVENUE

Report of Intent to Invest in Project for Income Tax Capital Credit

DEPARTMENT USE ONLY
CONTROL NUMBER

PROJECT NUMBER ISSUED

This form is to serve as the written statement of intent for a capital credit project in accordance with the provisions of Title 40, Chapter 18, Articles 7 and 9, Code of Alabama 1975. See instructions prior to completing Form INT.

Project entity:		FEIN:
Address:		Telephone No.: ()
City:	State:	Zip:
Project name:		NAICS code:

Project location (if different from above):

Project filing status: ☐ LLC ☐ C Corporation ☐ S Corporation ☐ Partnership ☐ Estate ☐ Sole Proprietorship

1. Type of project: ☐ New ☐ Expansion ☐ Small Business Addition ☐ Headquarters Facility
☐ Favored Geographic Area ☐ State Docks

2. Type of trade or business to be conducted at the project (*see instructions*):

3. Description of project (attach additional sheets if necessary) (*see instructions*):

4a. Will project be phased? ☐ Yes ☐ No If yes, enter estimated dates for each phase on Line 4b.

4b. Estimated date project is to be placed in service:

<p>5. Estimated project costs:</p> <p>a. Building</p> <p>b. Land</p> <p>c. Equipment</p> <p>d. Architectural and Engineering</p> <p>e. Landscaping</p> <p>f. Other</p> <p>6. Total estimated project costs</p>	<p>7. Projected number of new employees for this project:</p> <p>8. Projected average hourly wage for new employees employed by this project:</p> <p>9. Projected average hourly compensation including benefits for new employees employed by this project:</p> <p>10. Contact person for capital credit and to whom all correspondence will be sent:</p>
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11. Election for determination of income earned at the project:
☐ Two Factors (property and payroll) ☐ Three Factors (property, payroll, and sales) ☐ Separate Accounting (*see instructions*)

12. Has an investing company in the project closed a facility in Alabama in the last two years? ☐ Yes ☐ No If yes, complete the following:

Date of closure: No. of employees at the date of closure:

Location of facility:

13. Number of current employees employed in Alabama by investing company prior to project:

Allocations of Capital Credit

*A **complete** list of all participants in the project entity entitled to receive the Capital Credit must be provided. (Attach additional sheets if necessary.)*

<p>1. Name:</p> <p>Address:</p> <p>City: State: Zip:</p> <p>Social Security No. or FEIN:</p> <p>Percentage Allocation of Credit: %</p>	<p>2. Name:</p> <p>Address:</p> <p>City: State: Zip:</p> <p>Social Security No. or FEIN:</p> <p>Percentage Allocation of Credit: %</p>
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Under penalties of perjury, I declare that I am duly authorized to complete this form and that I have listed all the participants of the project entity. I have examined the above statements and to the best of my knowledge and belief they are true, correct, and complete.

Your Signature:

Title:

Date:

Instructions For Preparing Report of Intent to Invest in Project for Income Tax Capital Credit(Form INT)

GENERAL INSTRUCTIONS

Title 40, Chapter 18, Articles 7 and 9, **Code of Alabama 1975** provide for an annual capital cost credit against Alabama income tax liability generated by or arising out of a qualifying project in the amount of five percent of capital costs for 20 years, beginning in the year the qualifying project is placed in service. This form is to serve as the written statement of intent for a capital credit project in accordance with Section 40-18-191 and 40-18-241. Any project meeting the statutory requirements may qualify for the capital credit provided the Form INT is received by the Department of Revenue prior to placing the project in service. A project that is a phased project must file Form INT prior to placing the first phase in service. Provided all requirements have been met, the Department will approve the qualifying project and will assign a project number. The project number must be used whenever you are corresponding with the Department about this project. Any project not filing a timely Form INT will not be eligible to qualify for the capital credit. When the costs are actually known and the project is placed in service, Form INT-2 must be filed to report the actual capital investment in a project and to report the project's placed in service date. Form INT-2 must be filed prior to taking the capital credit.

Pursuant to Section 41-9-202.1, **Code of Alabama 1975**, every Form INT for New, Expansion, Small Business Addition, Headquarters Facility, and Favored Geographic Area projects must include a **"Notification Acknowledgement Letter"** from the Director of the Alabama Development Office (ADO). The Form INT can be submitted to the Department of Revenue prior to receiving the "notification acknowledgement letter;" however, the Form INT will not be processed until the Department of Revenue receives the "notification acknowledgement letter." To receive the "notification acknowledgement letter," the company must notify the Alabama Development Office with the following information: a brief description of the project, the amount of capital investment in the project, the number of jobs created by the project, the location of the project, and the date the project will be placed in service. Notification can be made orally (334-353-0998), or in writing to: Alabama Development Office, Alabama Center for Commerce, Suite 610, 401 Adams Avenue, Montgomery, AL 36104.

If you have any questions pertaining to the administration of this form or related to the capital credit in general, please contact the Alabama Department of Revenue at (334) 242-1175. Mail this completed form to: Alabama Department of Revenue, ATTN: Capital Credit Program Administrator, P.O. Box 327001, Montgomery, AL 36132-7001.

STATUTORY REQUIREMENTS FOR THE CAPITAL CREDIT

New or Expansion Capital Credit Project

A project with capital costs which are not less than \$2,000,000, a minimum of 20 jobs for new employees created, the average hourly wage of new employees shall be at least eight dollars (\$8) per hour or the average hourly compensation shall be at least ten dollars (\$10) per hour, including benefits, and at which the predominant trade or business activity conducted will constitute industrial, warehousing, or research activity as defined in Section 40-18-190(7) as North American Industry Classification System (NAICS) Sectors 31 (other than National Industry 311811), 32, 33, and 42; Subsector 511; Industry Groups 5142 and 5415; Industries 54138, 54171; and National Industry 514191, or any process or treatment facility which recycles, reclaims, or converts materials, which include solids, liquids, or gases, to a reusable product.

Small Business Addition Capital Credit Project

A project with capital costs which are not less than \$1,000,000, a minimum of 15 jobs for new employees created, and the average hourly wage of new employees shall be at least eight dollars (\$8) per hour or the average hourly compensation shall be at least ten dollars (\$10) per hour, including benefits, and at which the predominant trade or business activity conducted will constitute industrial, warehousing, or research activity as defined in Section 40-18-190(7) as North American Industry Classification System (NAICS) Sectors 31 (other than National Industry 311811), 32, 33, and 42; Subsector 511; Industry Groups 5142 and 5415; Industries 54138, 54171; and National Industry 514191, or any process or treatment facility which recycles, reclaims, or converts materials, which include solids, liquids, or gases, to a reusable product. A small business addition is an addition of any land, building or other improvement, and all real and personal properties deemed necessary or useful in connection therewith, whether or not previously in existence, to be used as a part of any existing facility of a business located in the state that, prior to the date on which the addition is placed in service, had 100 or fewer full-time employees.

Headquarters Facility Capital Credit Project

A project with capital costs which are not less than \$2,000,000, a minimum of 20 jobs for new employees created, and the average hourly wage of new employees shall be at least eight dollars (\$8) per hour or the average hourly compensation shall be at least ten dollars (\$10) per hour, including benefits. A headquarters facility is a facility that will serve as either the national, regional, or state headquarters for an investing company that conducts significant business operations outside the state of Alabama and will serve as the principal office of the principal operating officer of the qualifying project. The principal operating officer is the person with chief responsibilities for the daily business operations of a qualifying project.

Favored Geographic Area Project

A project with capital costs which are not less than \$500,000, a minimum of 5 jobs for new employees created, the average hourly wage of new employees shall be at

least eight dollars (\$8) per hour or the average hourly compensation shall be at least ten dollars (\$10) per hour, including benefits, and at which the predominant trade or business activity conducted will constitute industrial, warehousing, or research activity as defined in Section 40-18-190(7) as North American Industry Classification System (NAICS) Sectors 31 (other than National Industry 311811), 32, 33, and 42; Subsector 511; Industry Groups 5142 and 5415; Industries 54138, 54171; and National Industry 514191, or any process or treatment facility which recycles, reclaims, or converts materials, which include solids, liquids, or gases, to a reusable product.

Act 2001-965, which was signed into law on September 26, 2001, amends the existing income tax capital credit law to include lower thresholds for the requirements for new employees and for capital costs for projects that locate in "Favored Geographic Areas." The provisions of Act 2001-965 became effective December 1, 2001. Any project in a "Favored Geographic Area" that was placed into service prior to December 1, 2001 will not be eligible for the capital credit under the provisions of Act 2001-965.

A "Favored Geographic Area" is defined as either any area designated or created as an enterprise zone by law or that is governed by the Alabama Enterprise Zone Act, or any Alabama county which is considered to be less developed as determined by Section 40-18-190(5) per Act 2001-965. The Department of Industrial Relations is responsible for determining what counties are considered less developed based on statutory criteria and must re-determine these counties every January 1. A current "Favored Geographic Area" listing is available on the Department of Revenue's Web site at www.ador.state.al.us under Tax Incentives. A project that qualifies in a "Favored Geographic Area" will continue to be a qualified project, even if the county later loses its designation as a "Favored Geographic Area," as long as the project otherwise remains in compliance with the law.

Alabama State Docks Capital Credit Project

A project with capital costs which are not less than \$8,000,000, and at which the predominant trade or business activity conducted will constitute industrial, warehousing, or research activity as defined in Section 40-18-240(4) as North American Industry Classification System (NAICS) Subsector 493 (Warehousing and Storage), Industry Number 488310 (Port and Harbor Operations), or Industry Number 488320 (Marine Cargo Handling), when the trade or business is conducted on premises in which the Alabama State Port Authority has an ownership, leasehold, or other possessory interest and such premises are used as part of the operations of the Alabama State Port Authority. The Alabama State Docks Capital Credit Project is provided under Section 40-18-240 et seq., **Code of Alabama 1975**, which became effective August 1, 2001. Written approval of the Governor, Finance Director, and Alabama State Port Authority must be included with Form INT for State Docks Capital Credit projects as required by Section 40-18-241.

LINE BY LINE INSTRUCTIONS

Project Entity – Enter the name of the entity that will receive the capital credit. The entity qualifying for the capital credit must be the entity meeting the requirements for the capital credit. If the qualifying project is a joint venture, the joint venture must be in the form of a legal entity.

Single Member Limited Liability Companies (“SMLLC”) will be classified as they are classified for federal income tax purposes under the Internal Revenue Service’s (IRS) “check-the-box” regulations. If the investing company is a SMLLC that elects to be treated as a corporation for federal income tax purposes, enter the SMLLC as the project entity. If the investing company is a SMLLC that does not “check-the-box” for federal income tax purposes, the SMLLC shall be treated as a disregarded entity for Alabama income tax purposes and the parent must be entered as the project entity.

Qualified Subchapter S Subsidiaries (Q-sub) under 26 U.S.C. Section 1361(b)(3) shall be treated as disregarded entities for Alabama income tax purposes. If the investing company is a Q-sub, the parent must be entered as the project entity.

Address – Enter the **mailing** address to which **all** correspondence regarding this project should be sent.

Project Name – If the project is identified internally by a project name, enter the project name. For example, ABC, Inc. is the project entity, but the project is known as Alpha Division. If the project is doing business as (dba), enter the dba name. If the project entity has more than one qualifying project for the capital credit, include a project name that can identify each project. If the qualifying project is a SMLLC treated as a disregarded entity for income tax purposes, enter the name of the SMLLC as the project name. If the qualifying project is a Q-sub, enter the name of the Q-sub as the project name.

Project Location – Enter the address where the project will be physically located, if not the same as the above address.

FEIN – Enter the Federal Employer Identification Number.

NAICS Code – Enter the NAICS code for the new, expansion, small business addition, favored geographic area, or state docks project at which the predominate activity conducted will constitute an industrial, warehousing, or research activity as defined in Section 40-18-190(7) or 40-18-240(4). If the qualifying project is a Headquarters Facility, enter 000000.

Act 2001-965, which was signed into law on September 26, 2001, amended the existing income tax capital credit, changing the qualifying Standard Industrial Classification (SIC) codes to the NAICS codes, covering the same types of businesses.

Project Filing Status – Check the applicable box.

Line 1 – Check the applicable box. See “Statutory Requirements for the Capital Credit” instructions for project descriptions.

Line 2 – Briefly describe the type of trade or business that the project will be engaged in. If the project is a headquarters facility, describe the investing company’s significant business operations outside the state of Alabama, specify the type of headquarters (national, regional, or state), and provide the title of the principal operating officer at the project. If the project is a SMLLC or Q-sub, please include this information here. Attach additional sheets if necessary.

Line 3 – Enter a full description of the proposed activities of the

project. Please be very detailed in the activities with which the project will be associated. If the project shall be completed in multiple stages (i.e., phases), all phases must be identified in the description of the project. Attach additional sheets if necessary.

Line 4a – Indicate if the project will be a phased project for capital credit purposes. This form must be filed with the Department before any phase is placed in service.

Line 4b – Enter the projected date the project will be placed in service. The Form INT will not be processed without the estimated placed in service date(s). Placed in service is defined as the earlier of the date on which either a) the period for depreciation with respect to the project begins; or b) the project begins a specifically designed function for the production of revenue. If the project shall be completed in multiple stages (i.e., phases), enter the projected dates each phase will be placed in service. **NOTE: If the project is a phased project, the capital credit will not begin until the last phase is placed in service and any tax liability incurred prior to the last phase being placed in service will not be subject to the credit.**

Line 5 – Enter the capital costs estimated for the proposed project. If the project is a phased project, enter the total projected costs of all phases. Capital costs shall not include property previously owned or leased by the investing company or a related party before the commencement of the acquisition, construction, installation or equipping of the qualifying project unless such property was physically located outside the state for a period of at least one year prior to the date on which the qualifying project was placed in service. Costs incurred under leases that are characterized as capital leases for federal income tax purposes with a term of not less than five (5) years can be included as capital costs. Costs incurred under operating leases shall not be included as capital costs **unless** the project is a headquarters facility project; at which the capital costs shall include the net present value of the payments made by the investing company under the lease (using the applicable federal rate for the month in which the qualifying project is placed in service and the approximate term of the lease). For other specific inclusions and exclusions of capital costs, see Section 40-18-190(2), Departmental Rule 810-2-7-.01(2)(c), or Section 40-18-240(1).

Line 6 – Total all costs from lines 5a-5f. The qualifying project must meet the minimum capital investment for the type of project indicated. The capital credit will be determined by the amount of the actual capital costs of the qualifying project, which is reported on Form INT-2.

Line 7 – For new, expansion, small business addition, headquarters facility, or favored geographic area projects, enter the number of new employees expected to be hired at this project. For new, expansion or headquarters facility projects, there is a minimum requirement of 20 jobs for new employees. For small business addition projects, there is a minimum requirement of 15 jobs for new employees. For favored geographic area projects, there is a minimum requirement of 5 jobs for new employees. New employees are those persons who have not previously been employed at the site on which the project is or will be placed in service or have not been employed by the investing company or companies in this state; will be employed full-time as a direct result of the project being placed in service; and will be subject to the personal income tax imposed by Section 40-18-2, **Code of Alabama 1975**, upon commencement of employment at the project. Jobs must be provided beginning with the date which is not later than

one (1) year after the project is placed in service and continuing each year thereafter.

Line 8 – For new, expansion, small business addition, headquarters facility, or favored geographic area projects, enter the projected average hourly wage of the new employees of the project. The base wage requirement for the project requires that either an average hourly wage of not less than eight dollars (\$8) per hour or an average total compensation of not less than ten dollars (10) per hour, including benefits. This requirement does not include employees of direct processors of agriculture food products. These employees wages shall be determined by the local labor market or a source established by the Department of Revenue if reliable local labor market statistics are not available.

Line 9 – For new, expansion, small business addition, headquarters facility, or favored geographic area projects, enter the projected average hourly compensation of the new employees of the project.

Line 10 – Enter the name of the person to be contacted if additional information is needed regarding the capital credit and to whom all correspondence for the capital credit will be sent. Include a telephone number if different from the number indicated on the top of the application.

Line 11 – Check the box to designate which accounting method will be used in determining project income. After the Form INT has been filed indicating which method is to be used, the Alabama Department of Revenue will initiate an agreement outlining the method of accounting designated to be used at the project. This agreement shall serve as the written agreement required by Section 40-18-192 and Section 40-18-242 and must be in place prior to taking the capital credit. **Please note the qualifying project's records (i.e., payroll, property, sales) must be kept separate to determine the accurate amount of income at the project.**

Two Factor Method – This method is to be used only where the project has sales from the project's operation principally to affiliated or related persons or has no sales of its own (or cannot be identified/tracked with the project), or if the project is a headquarters facility. The project entity will apportion the total amount of its Alabama taxable apportionable income, before the related federal income tax deduction, to the project by multiplying the income by a fraction, the numerator of which is the project's property factor plus the project's payroll factor, and the divisor of which is two (2). If any factor is not used in the production of business income, it shall be eliminated and the divisor reduced accordingly.

Three Factor Method – This method is to be used where the project has sales from the project's operations principally to unaffiliated or unrelated persons. The project entity will apportion the total amount of its Alabama taxable apportionable income, before the related federal income tax deduction, to the project by multiplying the income by a fraction, the numerator of which is the project's property factor plus the project's payroll factor plus the project's sales factor, and the divisor of which is three (3). If any factor is not used in the production of business income, it shall be eliminated and the divisor reduced accordingly.

Separate Accounting Method – This method is to be used when the prior two methods do not effectuate an equitable determination of income generated by or arising out of the qualifying project, in a fair and equitable manner. The project entity may request, or the Department may require, such income to be calculated using a separate accounting method. The project entity will determine the total

amount of the qualifying project's income, including the related federal income tax deduction, allocable to the project by using a separate accounting method, agreed upon by the Department. Such separate accounting method will require the accounting and related records to be maintained in a manner showing the project's separate income and operations in Alabama and utilize "arm's length" pricing to the sales of goods or services between the Project and either affiliated legal entities or other accounting units in the Corporation. **Please note the project entity must be prepared to substantiate a reason for separate accounting and provide a detailed working example of method to be used.**

Line 12 – If an investing company has closed a facility in Alabama in the last two years, list the date of the closure for the facility, the number of employees at the facility on the date of closure, and the location of the facility. If an investing company closes an existing facility in this state and within two (2) years following the closing places a qualifying project in service, only the number of employees in excess of the number of employees who worked at the existing facility at the time of the closure shall be treated as new employees for the purposes of meeting the employee requirements as described in Section 40-18-190 et seq.

Line 13 – Enter the current number of employees of the project entity. This number shall be used in assisting in the determination of whether a project meets the new employee qualification requirements of the capital credit. For an investing company to qualify for a small business addition, an entity must have 100 or fewer employees. Additionally, projects may not include employees previously or currently employed at the site or employed elsewhere in the state by the investing company as new employees for purposes of the capital credit.

Allocations of Capital Credit – List all participants of the project entity entitled to receive the capital credit. For example, if the project entity is a C corporation, enter the name of the C corporation; if the project entity is an LLC, enter the names of all its members; if the project entity is a partnership, enter the names of all its partners. Additionally, include the entities' addresses, social security numbers or federal employer identification numbers, and percentages of credit allocated to each entity. This list will serve as the agreement between the Alabama Department of Revenue and the investing company or companies specifying the allocation and treatment of the capital credit provided by Section 40-18-190 et seq. and Section 40-18-240 et seq.

The capital credit shall be allocated among shareholders, partners, members, owners, or beneficiaries of the investing company or companies entitled to the capital credit based on their distributive share, whether or not distributed, of the project's Alabama taxable apportionable income. If an investing company is not listed on this schedule, they will not be allowed to take the capital credit.

The capital credit is applied after all other deductions, losses, or credits permitted under Titles 40 and 41 of the **Code of Alabama 1975** and is limited to the current year tax liability. In the event that there is a change in ownership, interest, or participation of interest in a project, Form INT-4 should be completed.

Attach additional sheets if necessary. Additional forms, including an Allocations of Capital Credit Schedule, can be downloaded from the Alabama Department of Revenue's Web site at www.ador.state.al.us under Tax Incentives.